

Message Text

CONFIDENTIAL

PAGE 01 STATE 086943

62

ORIGIN EB-02

INFO OCT-01 ARA-02 ISO-00 /005 R

66602

DRAFTED BY: EB/OT/GCP:JEO'MAHONY

APPROVED BY: EB/OT/GCP:JEO'MAHONY

----- 106471

P 291602Z APR 74

FM SECSTATE WASHDC

TO AMEMBASSY CARACAS PRIORITY

C O N F I D E N T I A L STATE 086943

FOLLOWING SENT ACTION SECSTATE, INFO LONDON, BRIDGETOWN,
PORT OF SPAIN, KINGSTON, NASSAU, APRIL 26, FROM GEORGETOWN
RPTD TO YOU:

QUOTE C O N F I D E N T I A L GEORGETOWN 0653

E.O. 11652: : GDS

TAGS: ETRD, EIND, GY

SUBJECT: GOG TO IMPOSE HEAVY EXPORT TAX ON SUGAR

SUMMARY: SUGAR EXPORT TAX INCREASE ANNOUNCED BY GOG.
EMBASSY ESTIMATES NEW RATES WILL RAISE ABOUT \$47 MILLION(G)
ALTHOUGH GOG FIGURE IS LOWER (\$30 MILLION). INDUSTRY
STUNNED BY SUDDENESS OF GOG MOVE, AND LACK OF PRIOR
CONSULTATION. SUGAR EXPANSION PLANS WILL BE AFFECTED.
END SUMMARY.

1. GOG MINISTER OF FINANCE HOPE ANNOUNCED
AT PRESS CONFERENCE EVENING APRIL 25, REPORTED IN LOCAL
PRESS APRIL 26, THAT IT WILL IMPOSE A LEVY ON ALL SUGAR
EXPORTS. LEVY TO BE RETROACTIVE TO JANUARY 1, 1974. RATES,
RATES, BASED ON PRICES FETCHED IN TRADE, AT FOLLOWING
LEVELS: 50 PERCENT OF PRICE OVER AND ABOVE 70 POUNDS(STERLING)
UP TO 100 POUNDS, AND 70 PERCENT OF PRICE ABOVE 100 POUNDS.
ONLY ONE OR THE OTHER LEVEL WILL APPLY TO ANY GIVEN SHIPMENT,
NOT BOTH.(FOR EXAMPLE, AT CSA PRICE OF 83 POUNDS, GOG
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 086943

WOULD COLLECT 6.5 POUNDS TAX, WHILE AT AVERAGE US PRICE OF

130 POUNDS GOG WOULD COLLECT 21 POUNDS TAX). LEVY WILL BE COLLECTED AT TIME OF SHIPMENT (NO DOUBT IN ORDER GARDNER REVENUE AS QUICKLY AS POSSIBLE). IN ADDITION, THE SUGAR INDUSTRY SPECIAL FUNDS LEVY OF \$13.20(G) PER LONG TON EXPORTED WILL BE INCREASED TO \$26.50(G) PER TON. GOG ESTIMATES MOVES WILL BRING IN \$30 MILLION(G) ADDED REVENUE. PREVIOUS EXPORT TAX ON SUGAR OF \$1 PER TON WILL REMAIN.

COMMENT: LATEST MOVE TO TAX PRIVATELY OWNED SUGAR INDUSTRY TO HILT IS ONE OF SEVERAL DRACONIAN STEPS GOG FORCED TO TAKE TO SURVIVE FOREIGN EXCHANGE CRISIS. LEVEL OF TAX, HOWEVER, IS ALMOST CONFISCATORY. WE ESTIMATE TOTAL REVENUE FOR SUGAR INDUSTRY THIS YEAR WILL BE ABOUT \$209 MILLION (G). WITH TOTAL COSTS ESTIMATED AT \$132 MILLION(G) INDUSTRY SHOULD HAVE GROSS PROFIT BEFORE TAXES OF \$77 MILLION(G). UNDER PREVIOUS TAX SCHEME INDUSTRY WOULD REAP NET PROFIT OF \$32.5 MILLION(G), AN EXCELLENT RECOVERY FROM LAST YEAR'S NET OF LESS THAN ONE MILLION. NEW TAXES WILL REDUCE THIS YEAR'S NET PROFIT TO ABOUT \$10-12 MILLION(G). EFFECTIVE TAX IS ASTOUNDING 82 PERCENT OF GROSS PROFIT. THIS ACTION WILL UNDOUBTEDLY DELAY OR EVENTUALLY ABORT SUGAR INDUSTRY EXPANSION BY REMOVING INCENTIVE FOR REINVESTMENT. DEPT. SHOULD NOTE EMBASSY ASSESSMENT OF TAX EFFECT IS CONSERVATIVE. PRODUCTION COSTS COULD BE HIGHER THAN ESTIMATED DUE TO ESCALATED FUEL AND PERSONNEL COSTS, ALTHOUGH WE TRIED TO TAKE THIS INTO ACCOUNT.

3. SINCE GOG ALREADY CONTROLS SUGAR MARKETING POLICY, NEW TAXES GIVE IT HEAVY MANDATE OVER INDUSTRY'S FUTURE, AND COULD BRING ON CONFRONTATION, ESPECIALLY IF PRODUCTION BEGINS TO LAG. INDUSTRY OFFICIALS PARTICULARLY IRKED BECAUSE GOG DID NOT CONSULT WITH PRODUCERS BEFORE ANNOUNCING TAX. INDUSTRY ALREADY NEGOTIATING WITH GOG TO GET MODIFICATION OF TAX, AND IMPRESS UPON PM BURNHAM NEGATIVE EFFECT PRESENT SCHEME WILL HAVE ON EXPANSION PLANS. KREBS UNQUOTE. RUSH

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: SUGAR, CUSTOMS DUTIES, INDUSTRY
Control Number: n/a
Copy: SINGLE
Draft Date: 29 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE086943
Document Source: CORE
Document Unique ID: 00
Drafter: EB/OT/GCP:JEO'MAHONY
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740102-0135
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t1974045/aaaaaeim.tel
Line Count: 96
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 26 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <26 JUN 2002 by kelleyw0>; APPROVED <26 MAR 2003 by BoyleJA>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ECT: GOG TO IMPOSE HEAVY EXPORT TAX ON SUGAR SUMMARY: SUGAR EXPORT TAX INCREASE ANNOUNCED BY GOG.
TAGS: ETRD, EIND, GY
To: CARACAS
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005